

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 879 - SB 799

March 29, 2015

SUMMARY OF BILL: Exempts compressed natural gas (CNG) from state sales tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$136,700

Decrease Local Revenue – \$5,100

Assumptions:

- Under current law, CNG is subject to the state sales tax in addition to the \$0.13 per gallon motor fuel tax. CNG is not subject to the local sales tax.
- The Department of Revenue (DOR) does not have data on the amount of state sales tax collected from the sale of CNG, so this fiscal note is based on the amount of motor fuel tax that is collected on CNG.
- Based on the July 2014 through February 2015 CNG motor fuel tax collections of \$117,822, it is estimated that FY15-16 motor fuel tax collections will be \$176,733 $[(\$117,822 / 8 \text{ months}) \times 12 \text{ months}]$. The number of CNG gallons sold is estimated to be 1,359,485 $(\$176,733 / \$0.13)$.
- Assuming the price of CNG, excluding federal and state excise taxes and other applicable taxes, to be \$1.49 per gallon, total taxable sales of CNG are estimated to be \$2,025,633 $(1,359,485 \times \$1.49)$.
- The current state sales tax rate is 7.0 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The net decrease in state sales tax revenue is estimated to be \$136,665 $[(\$2,025,633 \times 7.0\%) - (\$2,025,633 \times 7.0\% \times 3.617\%)]$.
- The decrease in local sales tax revenue is estimated to be \$5,129 $(\$2,025,633 \times 7.0\% \times 3.617\%)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "Jeffrey L. Spalding".

Jeffrey L. Spalding, Executive Director

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